

Message Text

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ACTION STR-07

INFO OCT-01 IO-13 ISO-00 STRE-00 JUSE-00 AF-10 ARA-10
EA-10 EUR-12 NEA-11 OIC-02 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 /169 W

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P 021507Z MAY 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 9112

INFO ALL EC CAPITALS

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USMTN, USEEC

ACTION STR PASS ELECTRICALLY FOR MCNAMARA
STR PASS CODEL

E.O. 11652 N/A

TAGS: MTN, ETRD

SUBJECT: U.S.-EC BILATERAL ON TARIFFS

1. SUMMARY. USMTN DEL (MCNAMARA, MARSH AND MALISH) MET WITH EC COMMISSION AND MEMBER STATES ON APRIL 20 AND 25 TO DISCUSS EC REQUESTS FOR IMPROVEMENTS IN U.S. TARIFF OFFER AND TO MAKE PRO FORMA INTRODUCTION OF U.S. REQUEST LIST WITH EC MEMBER STATES ATTENDING. IN ITEM-BY-ITEM DISCUSSION OF EC REQUEST LIST, WE INDICATED THAT THE EC REQUESTS WOULD BE DIFFICULT FOR THE U.S. TO RESPOND TO, BUT THAT SOME TRADEOFFS MIGHT BE POSSIBLE. END SUMMARY.

2. U.S.-EC BILATERAL APRIL 20 PRIMARILY DEVOTED TO EXAMINATION OF EC REQUESTS FOR IMPROVEMENTS IN U.S. TARIFF
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OFFER. U.S. DEL ALSO EXPLAINED HOW U.S. REQUEST LIST TO EC WAS DEVELOPED AND, DRAWING ON TPSC 78-48, WE NOTED THAT THE REQUESTED ITEMS WERE OF PRIORITY INTEREST TO THE U.S., AND THAT OUR LIST IS BASED ON ASSUMPTION THAT THE EC OFFER ALREADY TABLED WOULD BE MAINTAINED. WE NOTED THE U.S. DESIRE THAT EC MATCH U.S. OFFER RATES ON COMPUTERS, AIRCRAFT, AUTOMOBILES, AND CERTAIN OTHER PRODUCTS.

3. EC DEL (DUGIMONT) REACTED WITH FAMILIAR ARGUMENTS CONCERNING EC ATTACHMENT TO THE PRINCIPLE OF HARMONIZATION. HE NOTED AFTER THE MTN RESULTS ARE IMPLEMENTED NO EC DUTY ON INDUSTRIAL PRODUCTS WOULD BE GREATER THAN 11 PERCENT, WHILE U.S. WOULD STILL HAVE SOME AT 40 PERCENT OR MORE. RECIPROCITY, HE STATED, SHOULD BE MEASURED NOT ONLY IN TERMS OF AVERAGE DEPTH OF CUT, BUT IN THE TARIFF PRFILES WHICH WILL REMAIN AFTER THE NEGOTIATIONS. HIS APPROACH WAS IN ESSENCE THAT THE EC IS COMMITTED TO THE FORMULA, THE WHOLE FORMULA, AND NOTHING BUT THE FORMULA. THE ONLY CRACK APPEARED WHEN, DURING DISCUSSION OF EC REQUESTS, DUGIMONT INDICATED A WILLINGNESS TO CONSIDER U.S. IMPROVEMENTS OF SOMETHING LESS THAN THE FULL FORMULA CUT.

4. DUGIMONT, IN TRYING TO PUT OFF DAY OF RECKONING ON U.S. REQUESTS, CITED CERTAIN PROBLEMS WHICH HE IMPLIED MIGHT HAMPER EC CONSIDERATION OF OUR REQUESTS: (A) IN LIGHT OF U.S. DESIRE THAT EC GENERALLY MATCH U.S. OFFER RATES ON REQUESTED ITEMS, EC CANNOT FOR THE PRESENT RESPOND TO U.S. REQUESTS ON CXT ITEMS WE VALUE ON AN ASP BASIS SINCE U.S. OFFER ON ASP ITEMS HAS NOT BEEN SPECIFIED; (B) THE U.S. IS ASKING FOR AN IMPROVEMENT ON DIGITAL WATCHES, BUT THE U.S. OFFER ON THIS ITEM MAY BE AFFECTED BY NOMENCLATURE CHANGES; AND (C) IT WAS HARD TO EVALUATE THE U.S. TARIFF OFFER WHEN THAT OFFER WAS NOT SPECIFIED IN LEGAL LIMITED OFFICIAL USE

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TERMS (I.E. BECAUSE OF THE POSSIBILITY OF RATE CONVERSIONS).

5. USMTN DEL OPENED CONSIDERATION OF EC REQUESTS WITH GENERAL COMMENTS ON THE SCOPE OF THE EC REQUESTS AND THEIR MARGINAL TRADE POSITION IN MANY ITEMS. DUGIMONT NOTED THE EC MIGHT BECOME THE PRINCIPAL SUPPLIER IN THE FUTURE IF A REQUEST WAS SATISFIED, BUT HE DID NOT DISPUTE OUR OBSERVATION THAT BEFORE MEETING A REQUEST FROM A MINOR SUPPLIER THE U.S. WOULD HAVE TO BE ASSURED OF RECIPROCITY FROM THE PRIMARY BENEFICIARY. HE NOTED THAT THE EC MIGHT CONSIDER ASKING FOR EX-OUTS IF THAT WOULD OVERCOME THE PRINCIPAL SUPPLIER PROBLEM.

6. DISCUSSIONS THEN PROCEEDED TO ITEM-BY-ITEM REVIEW OF EC REQUESTS. DUGIMONT NOTED THAT THE EC'S ABILITY TO MAINTAIN ITS TEXTILE OFFER DEPENDED ON IMPROVEMENTS IN THE U.S. (AND JAPANESE) TEXTILE OFFER. USMTN DEL NOTED THAT U.S. OFFERS FORMULA OR GREATER REDUCTIONS ON SILK AND SILK FABRIC, FORMULA REDUCTIONS ON MANMADE FIBERS, 70 PERCENT OF FORMULA REDUCTIONS ON MANMADE YARNS AND FABRICS, AND FORMULA REDUCTIONS ON CERTAIN APPAREL. ON BROADWOVEN

FABRICS OF COTTON, USMTN DEL PROVIDED INFORMATION CONCERNING THE ITEMS' IMPORT SENSITIVITY, CITING THE SIGNIFICANT DECLINE IN U.S. PRODUCTION AND INDUSTRY EMPLOYMENT IN RECENT YEARS, AND THE SIMULTANEOUS INCREASE IN THE IMPORT/CONSUMPTION RATIO. ON FABRICS OF WOOL AND MAN-MADE FIBERS, U.S. DEL HIGHLIGHTED DRAMATIC DECLINE IN U.S. PRODUCTION. ON OTHER TEXTILE ITEMS U.S. DEL PROVIDED SIMILAR ANALYSES, EMPHASIZING ABSOLUTE OR RELATIVE DECLINE IN PRODUCTION, EMPLOYMENT, AND/OR PROFITABILITY AND OTHER INFORMATION PERTAINING TO A PARTICULAR INDUSTRY'S IMPORT SENSITIVITY.

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TO SECSTATE WASHDC PRIORITY 9113
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USMTN, USEEC

ACTION STR PASS ELECTRICALLY FOR MCNAMARA
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7. ON TITANIUM DIOXIDE, THE EC'S ONLY CHEMICAL REQUEST, U.S. DEL CITED DECLINING NUMBER OF PRODUCERS, WORKERS AND STEADILY GROWING IMPORTS. ON FLOOR AND WALL TILES, U.S. DEL EMPHASIZED EC'S LOW SUPPLIER POSITION. EC DEL NOTED THAT ITS INDUSTRY WAS A TRADITIONAL ONE, INTERESTED IN IMPROVING MARKET ACCESS FOR SPECIALTY ITEMS, PARTICULARLY HIGH-PRICED CERAMIC DINNERWARE. U.S. DEL THROUGHOUT DISCUSSION ENCOURAGED EC TO IDENTIFY AS SPECIFICALLY AS POSSIBLE ITEMS OF INTEREST, ADDING THAT SUCH IDENTIFICATIONS MIGHT FACILITATE U.S. ABILITY TO MAKE VALUABLE

OFFERS THROUGH EX-OUTS. ON EC GLASS REQUESTS, U.S. DEL NOTED HIGH IMPORT/CONSUMPTION RATIOS AND CONCENTRATION OF EMPLOYMENT IN APPALACHIA FOR FLAT GLASS, GLASSWARE, AND LEAD CRYSTAL; DECLINING NUMBER OF U.S. PRODUCERS OF MIRRORS; AND SMALL EC TRADE IN GLOBES, SHADES. EC DEL LIMITED OFFICIAL USE

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STRESSED THE IMPORTANCE OF THE EC GLASS INDUSTRY AND URGED IMPROVEMENT IN U.S. OFFER ON SPECIALTY-TYPE PRODUCTS, I.E., LEAD CRYSTAL AND HIGH-PRICED GLASSWARE.

8. IN THE STEEL SECTOR, U.S. DEL NOTED PROBLEMS OF ROUND WIRE AND STEEL PIPE PRODUCERS IN U.S. STEEL INDUSTRY AND COMMENTED BRIEFLY ON WELL-KNOWN PROBLEMS FACING THAT INDUSTRY. WE NOTED STRATEGIC IMPORTANCE OF WROUGHT TITANIUM AND UNWROUGHT TUNGSTEN FOR DEFENSE PURPOSES. ON TITANIUM, EC DEL EXPRESSED INTEREST IN OBTAINING TRADE DATA ON EX-OUT FOR "WASTE AND SCRAP." ON SCISSORS AND LATCH NEEDLES, U.S. DEL REVIEWED RECENT ALARMING INCREASES IN IMPORT/CONSUMPTION RATIOS AND SEVERE UNEMPLOYMENT PROBLEM.

9. ON FOOTWEAR REQUESTS, EC DEL RECOGNIZED THAT THESE ITEMS (EXCEPT FOR PROTECTIVE FOOTWEAR) WERE MANDATORY EXCEPTIONS NOW, BUT THAT THIS STATUS LASTS ONLY SO LONG AS THE IMPORT RELIEF APPLIES. ON PROTECTIVE FOOTWEAR, HEADWEAR, FLAT GOODS, AND OTHER SCHEDULE 7 REQUEST ITEMS, U.S. DEL AGAIN PROVIDED DETAILED STATEMENTS REGARDING EACH INDUSTRY'S IMPORT SENSITIVITY. OF THESE ITEMS, EC DEL EXPRESSED PARTICULAR INTEREST IN IMPROVEMENT IN U.S. OFFER ON PROTECTIVE FOOTWEAR, CONVENTIONAL WATCHES, AND BICYCLES.

10. AFTER ITEM-BY-ITEM DISCUSSION, DUGIMONT PROMISED TO REEXAMINE EC REQUESTS AND PROVIDE ADDITIONAL PRODUCT SPECIFICITY REGARDING EC INTERESTS FOR CERTAIN ITEMS, BUT EXPRESSED NO INTEREST IN FOLLOW-UP MEETING UNTIL U.S. HAD SUBSTANTIVE REPLY ON SPECIFIC REQUESTS.

11. DUGIMONT STATED THAT AFTER CAREFUL CONSIDERATION AT COUNCIL LEVEL OF TARIFF OFFERS OF MAIN EC PARTNERS, A LIST OF "POSSIBLE WITHDRAWALS" HAD BEEN COMPILED AND LIMITED OFFICIAL USE

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WOULD SOON BE FORWARDED TO TRADING PARTNERS (BUT NOT TABLED). MCNAMARA INDICATED THAT, GIVEN THIS DEVELOPMENT, THE U.S. MUST DECIDE WHAT TO DO ABOUT ITS GREATER-THAN-FORMULA OFFERS AND EMPHASIZED THE NECESSITY OF LEARNING

FROM THE EC WHICH ITEMS (IF ANY) IN THIS AREA ARE OF INTEREST TO THEM. DUGIMONT RESPONDED THAT SUCH INDICATIONS COULD NOT BE PROVIDED SOON AND AGAIN RECITED EC "THEOLOGY" OF HARMONIZATION THROUGH ADHERENCE TO FORMULA, ETC. HE ALSO DISMISSED IMPORTANCE OF MOST U.S. GREATER-THAN-FORMULA OFFERS APPLICABLE TO ITEMS WITH CURRENT DUTIES OF 5 PERCENT AD VALOREM OR LESS. MCNAMARA STATED THAT THERE WAS CONSIDERABLE DIFFERENCE OF OPINION ON THIS BUT THAT FURTHER DISCUSSION SHOULD BE RESERVED FOR NEXT BILATERAL SESSION.

12. DRAFTED BY MALISH AND ST. MAXENS. CULBERT

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